

## Message Text

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ACTION EB-04

INFO OCT-01 SS-04 ISO-00 EUR-03 TRSE-00 NSC-04 NSCE-00

INR-01 INRE-00 CIAE-00 CEA-01 FRB-01 SSO-00 /019 W  
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FM AMEMBASSY ROME

TO SECSTATE WASHDC IMMEDIATE 5288

CONFIDENTIAL ROME 1065

LIMDIS GREENBACK

PASS TREASURY FOR SECRETARY SIMON; PASS FRB FOR CHAIRMAN BURNS

E.O. 11652: GDS

TAGS: EFIN, IT

SUBJECT: CLOSING OF ITALIAN EXCHANGE MARKET: ALLEGED ROLE  
OF UNITED STATES

REF: (A) ROME 0971; (B) ROME 0973; (C) ROME 0978

1. JANUARY 22 PRESS CONTINUES TO GIVE MAJOR COVERAGE TO  
CLOSING OF ITALIAN EXCHANGE MARKET. PRESS REPORTS, BASED  
PARTLY ON BANK OF ITALY SOURCES, GIVE THREE REASONS FOR  
PRESSURE ON LIRA WHICH LED TO CLOSING OF EXCHANGE MARKET;  
(A) RECENT WORSENING IN NOVEMBER AND DECEMBER OF ITALY'S  
BALANCE OF PAYMENTS POSITION; (B) POLITICAL UNCERTAINTY  
CAUSED BY FALL OF MORO GOVERNMENT; AND (C) ACTIONS OF  
UNITED STATES COMPTROLLER OF THE CURRENCY.

2. RE POINT (C), PRESS HAS WIDELY REPORTED THAT  
COMPTROLLER (A) HAS ADVISED U.S. BANKS TO AGGREGATE LOANS  
MADE TO GOVERNMENT OF ITALY AND TO SEMI-GOVERNMENT ENTITIES  
AND CONSIDER THEM AS LOANS TO SAME BORROWER, THUS PUSHING  
SOME U.S. BANK LOAN PORTFOLIOS TO ITALY UP AGAINST LEGAL  
AND TECHNICAL LIMITS, AND (B) CONTINUES TO ASSIGN HIGH  
CREDIT RISK TO ITALIAN BORROWERS. THESE ACTIONS HAVE  
RESULTED, ACCORDING TO THE ARTICLES, IN DAMAGE TO ITALY'S  
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INTERNATIONAL CREDITWORTHINESS IN BOTH U.S. AND OTHER

FINANCIAL CIRCLES. WHILE PRESS HAS GENERALLY REPORTED THIS IN REASONABLY FACTUAL MANNER, SOME HAVE USED OCCASTION TO SHARPLY CRITICIZE U.S. DIRECTLY OR BY INFERENCE. WORST OFFENDER IS "LA REPUBBLICA", WHICH INCLUDES HEADLINES SUCH AS "AMERICA PLAYS WITH OUR CURRENCY" AND "CONFIRMED THAT THE WAVE OF SPECULATION CAME FROM NEW YORK AND WAS CAUSED BY THE INTERFERENCE BY U.S. FEDERAL BANKING SUPERVISORY AGENCIES." "LA REPUBBLICA" ALSO ASSERTS THAT ANY POSSIBLE FUNDS MADE AVAILABLE FROM U.S. UNDER TERMS OF BILATERAL SWAP ARRANGEMENT MIGHT ALSO CARRY POLITICAL CONDITIONS.

3. ACTION REQUESTED. IN VIEW OF PUBLICITY CONCERNING ALLEGED U.S. CONTRIBUTORY ROLE IN LIRA CRISIS AND CLOSING OF EXCHANGE MARKET, EMBASSY RECOMMENDS THAT FEDERAL RESERVE BOARD TAKE PROMPT ACTION ON ITALY REQUEST FOR SWAP ARRANGEMENT AND, IF SWAP IS ACTIVATE, TRANSMIT TO EMBASSY FULL TEXT OF PRESS RELEASE BY IMMEDIATE CABLE. IF POSSIBLE, EMBASSY RECOMMENDS RELEASE SHOULD INCLUDE GENERAL STATEMENTS OF U.S. SUPPORT FOR (A) RECENT ITALIAN EXCHANGE MARKET ACTION, (B) FOR ITALIAN REQUEST TO THE IMF FOR NEW FUNDS MADE AVAILABLE FROM JAMAICA ACCORDS, AND (C) FOR RECENTLY ENACTED GOI ECONOMIC PROGRAMS. EMBASSY WILL USE PRESS RELEASE TO REASSURE ITALIAN OFFICIALS OF U.S. SUPPORT AND TO COUNTER NEGATIVE PUBLICITY GENERATED BY ALLEGED ACTIONS OF THE COMPTROLLER OF THE CURRENCY. EMBASSY AWARE COMPTROLLER OF THE CURRENCY DOES NOT MAKE PUBLIC COMMENTS REGARDING

EVALUATION PROCEDURES AND OPINIONS. VOLPE

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## Message Attributes

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**Status:** NATIVE  
**Subject:** CLOSING OF ITALIAN EXCHANGE MARKET: ALLEGED ROLE OF UNITED STATES  
**TAGS:** EFIN, IT, US  
**To:** STATE  
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